

**UNEMPLOYMENT  
INSURANCE  
AGENCY**

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## **Tax Changes to Michigan's Unemployment Law**

### **Taxable wage base drops to \$9,000 per employee**

In April 2002, the Michigan Legislature passed and Governor Engler signed into law legislation that made several changes to the state's unemployment insurance (UI) law, including a drop in the taxable wage base to \$9,000.

Below are some of the major provisions of the legislation that affect employers and the UI tax program. All of the tax provisions took effect in 2003.

#### **Taxable wage base declines by \$500**

The wage base, which is used to tax employers for the unemployment insurance program, will drop from \$9,500 to \$9,000 starting in calendar year 2003. Had the change been in effect in 2001, Michigan employers would have saved \$42 million.

#### **Minimum tax rate drops to 0.06%**

The minimum tax rate that Michigan employers may be charged for state UI taxes will drop from 0.1 to 0.06%, starting in calendar year 2003. As a result, a qualified employer's annual unemployment tax bill could be as little as \$5.40 per employee. The change results from reductions to the Non-Chargeable Benefits Component in the tax rate formulas of employers who have not had any benefit charges for nine years. The change will affect approximately 61,000 Michigan employers.

#### **CBC rate goes up**

The Chargeable Benefit Component in employers' tax rates will edge up in 2003. The rate will increase to 6.3% from 6.0%. About 19,000 employers will be affected. The increase, however, should be negligible, as the higher rate will be applied against the lower taxable wage base of \$9,000.

#### **Some wages may not result in benefit charges**

Employers who pay \$200 or less in wages to an employee in the base period of an unemployment claim will not have those charges applied against their tax accounts. The charges, instead, will be applied to the Non-Chargeable Benefits Account.

#### **Indian Tribes have a tax option**

Michigan's Indian Tribes will be treated in a way similar to local and state units of government. As a result of changes in federal law, Michigan has amended its law to consider Tribes as reimbursing employers, unless they elect to be contributing.

#### **Voluntary quits must provide good cause**

The agency practice regarding the treatment of voluntary job leaving has become law. Workers have the burden of proving they left their jobs involuntarily or with good cause attributable to the employer.

Fact Sheet

**Agency to establish website to track employer correspondence**

The recent law changes require the agency to create and maintain a secure Internet website that will enable employers to determine if the agency has received their correspondence and their protests of benefit payments.

**Charging benefits due to voluntary leaves**

In cases where workers voluntarily leave their jobs, employers can notify the Agency within 30 days that their accounts should not be charged. They can have their charges removed and charged to the Non-Chargeable Benefits Account retroactive to the date of the agency's monetary determination.

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